

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-06
CEA-01 PA-01 PRS-01 /084 W
-----119693 250430Z /20

R 241415Z JAN 78
FM AMEMBASSY OSLO
TO SECSTATE WASHDC 5130
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM

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BRUSSELS FOR USEEC

PARIS FOR USOECD

E.O. 11652: N/A
TAGS: EWET, EIND, NO
SUBJ: PROPOSALS FOR RESTRUCTURING NORWEGIAN INDUSTRY

REF: A) OSLO 5104, B) OSLO 5509

1. THE GON'S PROGRAM TO IMPROVE THE COMPETITIVE POSTION
OF THE NORWEGIAN ECONOMY TOOK A STEP FORWARD LAST WEEK WITH
THE PUBLICATION OF QUOTE BLUE RIBBON UNQUOTE COMMITTEE
REPORTS ON SHIPPING AND SHIPBUILDING. BOTH COMMITTEES
RECOMMENDED A SCALING DOWN OF OPERATIONS OF THEIR
RESPECTIVE INDUSTRIES AS WELL AS GENEROUS GOVERNMENT GUARANTEES,
LOANS AND DIRECT GRANTS TO IMPROVE THE EFFICIENCY OF VIABLE
ELEMENTS.

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2. UNDER THE CHAIRMANSHIP OF BANK OF NORWAY DEPUTY DIRECTOR,
HERMOD SKAANLAND, A COMMITTEE TO INVESTIGATE THE SHIPPING
INDUSTRY RECOMMENDED THAT THERE SHOULD BE A REDUCTION IN
EMPLOYMENT IN SHIPPING BY ABOUT 9,000 TO 11,000 PERSONS
(OUT OF 35,000 TOTAL EMPLOYMENT). THE COMMITTEE CHOSE STATE
GUARANTEES AS MORE CONSISTENT WITH NORWAY'S TRADITIONAL

LIBERAL SHIPPING POLICY THAN OTHER MEANS OF STATE SUPPORT AND RECOMMENDED THAT A NEW GUARANTEE ARRANGEMENT (WORTH \$189 MILLION) BE ESTABLISHED UNDER THE AUSPICES OF THE EXISTING GUARANTEE INSTITUTE FOR SHIPS AND DRILLING VESSELS. (IN ADDITION TO THE GUARANTEE INSTITUTE'S REMAINING \$189 MILLION OF ITS ORIGINAL \$755 MILLION GUARANTEE QUOTE). THE NEW ARRANGEMENT WOULD AUGMENT THE INSTITUTE'S CAPACITY TO PREVENT MODERN, COMPETITIVE SHIPS FROM BEING SOLD ABROAD AT LOW PRICES (HOWEVER, THE COMMITTEE FOUND THAT 20 TO 25 PERCENT OF THE PRESENT NORWEGIAN FLEET WOULD PROBABLY NOT BE ELIGIBLE FOR SUPPORT).

3. THE SHIPBUILDING REVIEW COMMITTEE UNDER THE CHAIRMANSHIP OF NORMER MINISTER OF INDUSTRY INVALD ULVESETH WAS DIVIDED IN ITS RECOMMENDATION TO CUT BACK JOBS IN NEW SHIP CONSTRUCTION WELL BELOW THE PRESENT LEVEL OF 20,000. A MAJORITY OF THE COMMITTEE RECOMMENDED REDUCING EMPLOYMENT BY 6,000 BY THE END OF 1979; A MINORITY PROPOSED ELIMINATION OF UP TO 12,000 JOBS DURING THIS PERIOD. IN SPITE OF THE SCALING DOWN OF OPERATIONS THE MAJORITY RECOMMENDATION IS EXPECTED TO REQUIRE A TOTAL OF \$364 MILLION IN STATE SUPPORT FOR NEW ORDERS AND TO COVER INVESTMENT NEEDS. THE MINORITY PROPOSAL IS CALCULATED TO REQUIRE \$240 MILLION IN ADDITIONAL SUPPORT. THE COMMITTEE UNANIMOUSLY RECOMMENDED THAT THE SHIPBUILDING INDUSTRY UNDERGO A BASIC REORGANIZATION, CONCENTRATING IN THE FUTURE LARGELY ON MAINTAINING THE LIMITED OFFICIAL USE

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EXISTING MERCHANT FLEET AND SERVICING OFFSHORE PETROLEUM ACTIVITIES INSTEAD OF ENGAGING IN NEW SHIPBUILDING. TO OFFSET EMPLOYMENT REDUCTIONS IN SHIPBUILDING, THE COMMITTEE RECOMMENDED THAT THE GON INCREASE ACTIVITY IN THE OIL SECTOR.

4. COMMENT: RECOMMENDATIONS BY THESE TWO PANELS THAT IN-EFFICIENT ELEMENTS OF TWO MAJOR NORWEGIAN INDUSTRIES BE LET GO -- WITH SPECIFIC MENTION OF HOW MANY LOST JOBS THIS WILL ENTAIL -- ARE CONSISTENT WITH OUR READING OF THE GOVERNMENT'S STRATEGY, GOING INTO THE SPRING GENERAL WAGE NEGOTIATIONS, OF DRAMATIZING THE NEED FOR A QUOTE NO REAL WAGE GROWTH UNQUOTE PACT TO RE-ESTABLISH NORWAY'S INTERNATIONAL COMPETITIVENESS. THE GON IS MAKING A MAJOR EFFORT TO EXPLAIN THE IMPORTANCE OF HOLDING DOWN UNIT COST INCREASES THIS YEAR (AND JUSTIFY ITS DECISION TO CONTROL QUOTE WAGE DRIFT UNQUOTE BY LETTING UNEMPLOYMENT INCREASE SOMEWHAT). EMPLOYERS REACTIONS TO THE TWO REPORTS HAVE BEEN GENERALLY POSITIVE. LABOR HAS NOT COMMENTED DIRECTLY; RESTATING IN RECENT DAYS ONLY ITS BASIC CONTENTION THAT IN THE UPCOMING WAGE NEGOTIATIONS A) THE REAL PURCHASING POWER OF WORKERS MUST BE QUOTE AT LEAST MAINTAINED UNQUOTE AND B) QUOTE SOMETHING UNQUOTE MUST BE DONE FOR THE WORST

PAID WORKERS IN NORWAY. THE GON HAS NOT FORMALLY ACCEPTED
THE COMMITTEE RECOMENDATIONS AS YET, BUT PRIVATELY
SEVERAL GON OFFICIALS HAVE EXPRESSED SATISFACTION WITH
BOTH REPORTS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRY, MARINE TRANSPORTATION, SHIPBUILDING INDUSTRY, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978OSLO00408
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780036-0976
Format: TEL
From: OSLO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780129/aaaaayfu.tel
Line Count: 121
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f8e4a1e0-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 OSLO 5104, 78 OSLO 5509
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3723517
Secure: OPEN
Status: NATIVE
Subject: PROPOSALS FOR RESTRUCTURING NORWEGIAN INDUSTRY
TAGS: EWWT, EIND, NO
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/f8e4a1e0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014